

Childcare Services Relief

Part 07-01-29

This document should be read in conjunction with section 216C of the Taxes Consolidation Act 1997

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Introduction

Section 13 of the Finance Act 2006 introduced a relief known as Childcare Services Relief. The purpose of the relief is to provide an exemption from income tax, where certain conditions are met, to individuals who provide childminding services in their own homes. The legislation dealing with the relief is contained in section 216C of the Taxes Consolidation Act 1997.

Subject to all other relevant conditions being met, the relief originally (i.e. for tax year 2006) was available where the receipts from the childminding activity did not exceed €10,000 per annum. Section 15 of the Finance Act 2007 subsequently increased this annual limit to €15,000 for the tax year 2007 and later tax years.

1 Who can claim the relief?

Childcare Services Relief is available only to individuals who provide childminding services in their own homes within the State (refer to paragraph 12 in relation to a temporary amendment to the criteria arising from Covid-19). It is available to individuals who would otherwise be chargeable on the income from the activity under Case I or Case IV of Schedule D. Therefore, it is available to individuals who carry on childminding services on a self-employed basis and is not available to individuals who are employees of a childminding service.

2 Nature and location of services that qualify

Childcare Services Relief is available where an individual provides any form of childminding services (including supervised activities) to children who are under 18 years of age. The childminding services do not have to be operated on a full-time basis but can be provided on a part-time or occasional basis. The services must be provided in the home (i.e. the sole or main residence) of the childminder. The relief does not apply to childminding services provided in the home of the child. Refer to paragraph 12 in relation to a temporary amendment to the criteria arising from Covid-19.

3 Limit on number of children

The relief applies where the childminding services are provided to not more than 3 children who are under 18 years of age (refer to paragraph 12 in relation to a temporary amendment to the criteria arising from Covid-19). For this purpose, children who live in the home where the childminding services are provided are not counted. Therefore, the children of the childminder, or any other children who live in the home of the childminder as their sole or main residence, are not counted for the purposes of this limit.

4 Limit on “relevant sums” for exemption to apply

Receipts from a childminding activity must not exceed €15,000 in a tax year (limit of €10,000 applied for tax year 2006) in order for the exemption to apply for that year. Where more than one person is providing the childminding services in the same residential premises, the €15,000 limit is split between them.

For the purposes of deciding on whether the annual limit is breached, all amounts (defined as “relevant sums” in section 216C(1)) arising to the childminder in relation to the following are taken into account:

- the use of a room or rooms for the purposes of the childminding services, and
- meals, cleaning, laundry and other similar goods and services supplied.

However, any amounts that relate to the children of the childminder, or to any other children who occupy the home as a sole or main residence, are not taken into account for the purposes of deciding whether the limit is breached.

It is important to note that the annual limit applies to receipts from the childminding activity rather than to actual profits from the activity.

Example

In the tax year 2016, an individual had receipts of €16,000 from a childminding service and incurred expenses of €2,000 in providing that service. The actual profit that arose was, therefore, €14,000. This person does not qualify for the exemption as the “relevant sums” received were €16,000 and this is in excess of the allowable limit of €15,000 that applied for the tax year 2016. In this instance, the person is chargeable in full on the profit of €14,000, subject to entitlement to personal tax credits and any other allowances due.

5 Notification to City/County Childcare Committee

One of the conditions linked to entitlement to Childcare Services Relief is that the childminder has notified the person, recognised by the HSE for the purpose of such notifications, that childminding services are being, will be or have been provided in their home in the tax year for which the relief is claimed. In practice, this means that notifications should normally be made to the local City or County Childcare Committee dealing with the area in which the childminding services are provided. Notifications should be made on or before the filing date for the tax return related to the year involved. Individuals must also, where requested by Revenue, provide evidence that the notification was made.

A simple letter to the relevant Committee is sufficient notification for the purposes of section 216C(3). There is no requirement to go through any formal process or to complete any forms for the purposes of the notification required by that section.

However, separate from the notification required under section 216C(3), City or County Childcare Committees may request childminders to opt for their own Voluntary Notification process. This process is not required for the tax relief to apply but may provide benefits in terms of networking and other supports through the Committee.

6 Claiming the relief

Individuals must elect to claim Childcare Services Relief each year. The election must be made on or before the return filing date for the tax year for which the relief is claimed. The election for the relief has been incorporated into the various versions of the Form 11. Completion of the relevant section of the appropriate form and submission of the form to Revenue satisfies the requirement to make the written election.

Where an election for the relief applies in relation to a tax year, any wear and tear capital allowances that would otherwise be due in connection with the services provided are deemed to have been given.

7 Universal Social Charge, Income Levy and Health Levy

Where an individual qualifies for Childcare Services Relief, exempt receipts from the childminding services are not liable to Universal Social Charge (USC) for 2011 and later tax years. Likewise, the Income Levy did not apply to exempt receipts from childminding services for 2009 or 2010 and the Health Levy did not apply for the years 2006 to 2011.

8 PRSI

Unlike USC and the Health Levy, PRSI does apply to exempt receipts from childminding services. This is to ensure that individuals who provide the services can build up entitlements under the Social Welfare Acts. In general, under the Social Welfare Acts, PRSI is not payable on income unless the income exceeds certain limits. For 2006 to 2010, this limit was €3,174 but was increased to €5,000 for 2011 and later years.

Where an individual qualifies for Childcare Services Relief, an amount of PRSI is payable where the amount of the exempt receipts from childminding services exceeds the relevant income limit mentioned above. The amount is payable in addition to PRSI payable on any other income of the individual. It is collected by Revenue as part of the tax system for 2009 and later tax years. For earlier years, any amount due had to be paid directly to the Department of Social Protection.

9 Making tax returns

Under section 216C(4), the normal rules in relation to making a tax return apply to an individual who qualifies for Childcare Services Relief. Also, as indicated in section 7, an individual must make an election each year for the relief to apply.

The following material is either exempt from or not required to be published under the Freedom of Information Act 1997.

[...]

Where an individual is providing childminding services and is not (or, as appropriate in joint assessment cases, the spouse or civil partner of the individual is not) already registered with Revenue for income tax purposes, the individual (or, as appropriate in joint assessment cases, the spouse or civil partner of the individual) should notify their local Revenue office that the childminding services are being provided.

10 Certain other reliefs unaffected

Where Childcare Services Relief applies in relation to childminding services provided by an individual, mortgage interest relief on the person's principal private residence and capital gains tax relief on the disposal of the person's principal private residence are not affected by the use of the residence for the childminding services to which the Childcare Services Relief applies.

Likewise, any receipts that are exempt from income tax under section 216C are not to be taken into account in deciding on entitlement to other reliefs e.g. home carer's credit under section 466A.

11 Miscellaneous

The following material is either exempt from or not required to be published under the Freedom of Information Act 1997.

[...]

12 Temporary measure in relation to Covid-19

The HSE has issued guidance on the protection of children from Covid-19, including guidance on the provision of childcare. Where, in accordance with this official guidance, an individual minds children in their own home, the individual may still qualify for childcare services relief. Specifically, as part of the stay-at-home restrictions put in place during the Covid-19 pandemic, the HSE advised that childminding should only take place in the home of the child and that childminding in the home of the child was allowed if it was for the children of essential workers.

While these stay-at-home restrictions were subsequently lifted, it is acknowledged that some childminders may continue to provide care in the child's home on public health grounds while the Covid-19 pandemic persists. It is also acknowledged that more severe restrictions may be introduced should infection numbers rise. For those reasons, this treatment will continue to apply on a temporary basis and it will be reviewed in the event of further guidance issuing from the HSE.